UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting   Docket No. RM2018-5
(Proposal Two)

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued June 27, 2018)

To assist in the evaluation of the Postal Service's petition to consider changes in analytical principles (Proposal Two), filed May 25, 2018,[1] the Postal Service is asked to provide a written response to the following questions and requests for information. Answers to each question and the requested information should be provided as soon as they are developed, but no later than July 5, 2018.

1.   Please refer to Library Reference USPS-RM2018-5/1, May 25, 2018, PDF file "Prop.2.Fldr.1.Preface.pdf," Table 1: Activity Codes with Weights Based on TACS (Preface).

   a.   Please provide the SAS programs and input files used to calculate the weights based on TACS rather than the IOCS for the two activity codes listed "6720" ("Time for City Carriers during Sunday/Holiday") and "7720" ("Time for Carriers clocking-in as supervisors on Sunday/Holiday"). Preface at 1.

   b.   In Docket No. ACR2017, the In-Office Cost System (IOCS) activity code description for "6720" is listed as "CARRIER IN-OFFICE ACTIVITY" rather

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[1] Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Two), May 25, 2018 (Petition). The Postal Service filed a public and non-public annex with the Petition. *See* Notice of Filing of USPS-RM2018-5/1 and USPS-RM2018-5/NP1 and Application for Nonpublic Treatment, May 25, 2018; Notice of Filing of Replacement Version of USPS-RM2018-5/1 -- Errata, June 8, 2018; Notice of Filing of Replacement Version of USPS-RM2018-5/NP1 -- Errata, June 11, 2018.

than "Time for City Carriers during Sunday/Holiday" under Proposal Two.[2] Please specify whether the "Time for City Carriers during Sunday/Holiday" includes in-office, street, and training time for city carriers.

2.   Please provide the SAS program code and input files used to develop the "AttCost" variable. Preface at 3.

3.   The Postal Service states that the "CLCARMM" SAS program is to "distribute costs for mixed mail tallies, modified version of ALBCARMM."[3] Given the modified SAS code in this program under the Proposal Two methodology, it appears that city carrier in-office costs for Sundays and holidays are not included in the mixed mail to direct mail costs distribution process.[4] An output from the ALBCARMM program is the in-office direct labor distribution key.[5] Please confirm that the Proposal Two city carrier costs for Sunday and holiday in-office activities are not included in the in-office direct labor distribution key, in-office support and in-office overhead costs in the Proposal Two cost segment 6 and 7 workbooks. If not confirmed, please specify how and reference any applicable Proposal Two workbook costs, procedures, or adjustments.

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[2] *See* Docket No. ACR2017, Library Reference USPS-FY17-37, December 29, 2017, file "MASTER.CODES.FY17."

[3] Preface at 4. "The function of the City Carrier Mixed Mail (CARMM) Cost Distribution program is to distribute mixed mail costs to direct mail activity codes." *See* Docket No. ACR2017, Library Reference USPS-FY17-37, PDF file "USPS-FY17-37.Preface.pdf," at 12.

[4] The mail type codes associated directly with the cost distribution process do not include activity code "6720" costs. *See* Library Reference USPS-RM2018-5, folder USPS-RM2018-5_1_Public Material_Proposal Two_REVISED 6-8-2018.zip," folder "SAS," SAS program "CLCARMM," variable definition for the "mixmail" costs variable =1 (yes) and 0 (no, direct mail costs) activity codes used in the "actv" variable. The Postal Service states costs are "determined by TACS clock ring data rather than by IOCS readings." Preface at 1. No specific activity is identified for "Time for City Carriers during Sunday/Holiday" costs in Proposal Two included SAS datasets records.

[5] *See* Library Reference USPS-RM2018-5/1, folder "Workbooks," Excel files "CS06&7-FY17Q4-IOCSClusterv2.xlsx" and "CS06&7-FY18Q1IOCSClusterv2.xlsx," tab "Outputs to CRA," column D, component 43, In-Office Direct Labor; Docket No. ACR2017, Library Reference USPS-FY17-31, December 29, 2017, folder "CRA Model Files," Excel file "FY17Public.cntl.xlsm," tab "DK Master," row 27.

4.   In Docket No. ACR2014, the Postal Service stated that "the methodology used to arrive at the Sunday/[h]oliday delivery cost for NSA packages assumes that 100 percent of the costs are attributable to the packages delivered."[6] Further, it stated that it "carefully calculate[s] the complete range of Sunday costs incurred, and then actually conclude[s] with a final adjustment that pulls costs that would otherwise be reported as institutional and shifts them to NSA costs." *Id.* at 18-19. Under the Proposal Two methodology, the Postal Service states that "[a]ccrued costs for city carriers on Sundays and [h]olidays are obtained by using TACS data. Pending possible further study, the Postal Service proposes to make these costs 100 percent attributable and to use Product Tracking and Reporting (PTR) data to attribute to products."[7]

   a.   Will the method, or the impact, of the NSA Sunday and holiday adjustments performed in the Cost and Revenue Analysis (CRA) change as a result of Proposal Two?

      i.   If yes, please provide a detailed description of the changes, as well as any supplemental materials needed to understand the changes.

      ii.   If no, please specify why no change to the adjustment(s) is needed.

   b.   Have NSA adjustments been accounted for in Library Reference USPS-RM2018-5/1, Excel file "Prop.2.IOCS.Cluster.Impact_Public.xlsx"?

5.   In Docket No. ACR2017, Library Reference USPS-FY17-31, the CRA documentation shows that the "Carrier Special Purpose [Distribution] Key" (CRA component 578) and the "Carrier Letter Route [Distribution] Key" (CRA

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[6] *See* Docket No. ACR2014, Reply Comments of the United States Postal Service, February 18, 2015, at 18 (Docket No. ACR2014, Postal Service Reply Comments).

[7] Petition Two, Proposal Two at 9. "IOCS-Cluster does not sample carriers on Sundays and [h]olidays." *Id.* at 25. The Petition shows the effects of attributing all Sunday and holiday costs to the Parcel Select "product for purposes of evaluating and presenting the estimated impact on FY[]2017 costs[ ]" since "the vast majority of parcels delivered on Sundays and [h]olidays in FY[]2017 were Parcel Select…." *Id.* at 9.

component 579) are used to distribute vehicle depreciation costs and other costs to products.[8] These distribution keys are developed in the tab "Outputs to CRA" in the cost segment 6 and 7 workbooks, and are labeled as "SPR DIST KEY" and "LETTER ROUTE DISTRIBUTION KEY."[9]

a.   Please confirm that the "SPR DIST KEY" in Docket No. ACR2017 includes city carrier Sunday and holiday IOCS-developed street time costs.

b.   Please confirm that the "SPR DIST KEY" in Proposal Five includes Sunday and holiday adjusted (using TACS workhours) IOCS-developed street time costs.[10]

c.   Please confirm that the "SPR DIST KEY" under the Proposal Two methodology will include Sunday and holiday TACS developed street time costs.[11]

      i.   If confirmed, please describe how, and clarify the note that the new CRA component 49 (Sunday/holiday costs) "is to be added into component 46 Delivery Activities" on the tab "Outputs to CRA" (the

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[8] *See* Docket No. ACR2017, Library Reference USPS-FY17-31, folder "CRA Model Files," Excel file "FY17Public.cntl.xlsm," tab "DK Master," rows 32-33 (distribution key CRA components are 578-letter route and 579-special purpose) and tab "DK Addends," rows 128-129 (vehicle depreciation costs for city delivery letter routes CRA component 221 and vehicle depreciation costs for special purpose routes CRA component 223).

[9] *See* Docket No. ACR2017, Library Reference USPS-FY17-32, December 29, 2017, Excel file "CS06&7-Public-FY17.xlsx," tab "Outputs to CRA," "SPR DIST KEY," CRA component 578 (column K) and "LETTER ROUTE DISTRIBUTION KEY," CRA component 579 (column L).

[10] *See* Docket No. RM2017-9, Order on Analytical Principles Used in Periodic Reporting (Proposal Five), February 6, 2018 (Order No. 4399).

[11] Library Reference USPS-RM2018-5/1, folder "Workbooks," Excel files "CS06&7-FY17Q4-IOCSClusterv2.xlsx" and "CS06&7-FY18Q1IOCSClusterv2.xlsx," tabs "Changes," row 160 states that on the tab "Outputs to CRA," the new CRA component 49 for Sunday/holiday delivery is "to be added into component 46 Delivery Activities." However, the Sunday/holiday costs do not appear to be actually included in the "SPR DIST KEY" column on the tab "Outputs to CRA."

"Delivery Activities" column F of the Proposal Two cost segment workbooks component is 47).[12]

  ii. If not confirmed, please explain why.

 d. Please list any other cost segments or components whose costs are currently allocated either in part or in whole using the "SPR DIST KEY."

 e. Please list any other cost segments or components whose costs are currently allocated either in part or in whole using the "LETTER ROUTE DISTRIBUTION KEY."

 f. Please describe any changes or adjustments in the CRA model that will be made to ensure that Sunday and holiday delivery costs continue to form part of the basis by which city delivery vehicle depreciation costs and any other costs included in the response to part d. are allocated.

6. In Library Reference USPS-RM2018-5/1, folder "Workbooks," the Excel files "CS06&7-FY17Q4-IOCSClusterv2.xlsx" and "CS06&7-FY18Q1-IOCSClusterv2.xlsx," Sunday and holiday costs are separately itemized throughout these files. For the sake of understanding the changes to Sunday and holiday total costs and cost attribution embedded in Proposal Two, please provide versions of the Proposal Five methodology Excel files "CS06&7-FY17Q4-CurrentwithProp5.xlsx" and "CS06&7-FY18Q1CurrentwithProp5.xlsx" that separate Sunday and holiday costs in a similar manner. In particular, please provide a version of tabs "Input IOCS" and "Outputs to CRA" in each of these workbooks that separates Sunday and holiday and non-Sunday/non-holiday costs for all relevant activity codes and route types.

7. In Docket No. ACR2017, Library Reference USPS-FY17-37, are all city carrier Sunday and holiday IOCS readings assigned to the special purpose route cost

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[12] *Id.*

group, or are any Sunday or holiday IOCS readings assigned to the letter route cost group? If some are assigned to the letter route cost group, please explain all scenarios and provide the data collector instructions for which Sunday and holiday city carrier IOCS readings would be coded or identified as a city carrier letter route type and "unassigned to a route type" (*i.e.*, route type 99), rather than a special purpose route.

8.   Please specify which route code field is used to produce tab "I-CS07.1 Input" in Library Reference USPS-RM2018-5/1, folder "Workbooks," "I_FORMS" Excel files.

By the Chairman.

                                        Robert G. Taub